

**CITY OF WOODBINE**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	5-7
Management's Discussion and Analysis	8-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 14
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 15
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 16
Notes to Financial Statements	18-26
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	28
Notes to Other Information – Budgetary Reporting	29
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 31
Schedule of Indebtedness	2 32
Bond and Note Maturities	3 33
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36
Schedule of Findings	37-41

## City of Woodbine

### Officials

<u>Name</u>	<u>Title</u> <b>(Before January 2014)</b>	<u>Term Expires</u>
William Hutcheson	Mayor	January 2014
James Andersen	Council Member	January 2014
Brenda Loftus	Council Member	January 2014
Nancy Yarbrough	Council Member	January 2014
Noel Sherer	Council Member	January 2016
Randy Vandemark	Council Member	January 2016
Joe Gaa	City Administrator	Indefinite
Lois Surber	City Clerk	Indefinite
Todd Argotsinger	Attorney	Indefinite
<b>(After January 2014)</b>		
Richard Gau	Mayor	January 2016
Noel Sherer	Council Member	January 2016
Randy Vandemark	Council Member	January 2016
Merne Hammitt	Council Member	January 2018
John Kerger	Council Member	January 2018
Jeffrey Killpack	Council Member	January 2018
Kelly Hasner	City Administrator	Indefinite
Lois Surber	City Clerk	Indefinite
Todd Argotsinger	Attorney	Indefinite

**City of Woodbine**



Diane McGrain, CPA  
Jim Menard, CPA

November 6, 2014

*Independent Auditors' Report*

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued...

omni business centre  
300 west broadway, suite 41  
council bluffs, iowa 51503  
712•322•8734 / fax 712•322•4699

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

##### *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Unit*

The financial statements do not include financial data for one of the City's legally separate component units because the Woodbine Municipal Light & Power reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for all component units. The City has not issued such reporting entity financial statements. The amounts by which the departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units have not been determined.

##### *Adverse Opinion*

In our opinion, based on our audit and the report of the other auditors, because of the significance of the matter discussed in the *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units* paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Woodbine as of June 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

##### *Basis for Qualified Opinions*

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total cash basis fund balances at July 1, 2013.

##### *Qualified Opinions*

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total cash basis fund balances at July 1, 2013, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine as of June 30, 2014 and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Woodbine's basic financial statements. The supplementary information included in Schedule 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total cash basis fund balance at July 1, 2013, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 12, and 28 through 29 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014 on our consideration of the City of Woodbine's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Woodbine's internal control over financial reporting and compliance.

*Schaefer & Associates, PC*

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

City of Woodbine provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities were approximately \$1,314,000. Property taxes were approximately \$658,000, and operating grants were approximately \$248,000.
- Disbursements were approximately \$1,417,000. Public safety and public works were approximately \$343,000 and \$415,000, respectively.
- The City's total cash basis net assets increased 6.6%, or approximately \$170,000 from June 30, 2013 to June 30, 2014. Of this amount, the net position of the governmental activities decreased approximately \$103,000, and the net position of the business type activities increased approximately \$273,000.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and gas. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and gas funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$1,530,000 to \$1,427,000. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)	
	Year Ended June 30, 2014
Receipts:	
Program receipts:	
Charges for service	\$ 134
Operating grants, contributions and restricted interest	248
Capital grants, contributions and restricted interest	3
General receipts:	
Property tax	658
Tax increment financing collections	181
Local option sales tax	88
Grants and contributions not restricted to specific purposes	1
Unrestricted interest on investments	1
Total receipts	<u>1,314</u>
Disbursements:	
Public safety	343
Public works	415
Culture and recreation	175
Community and economic development	112
General government	207
Debt service	165
Total disbursements	<u>1,417</u>
Change in cash basis net position	(103)
Cash basis net position beginning of year	<u>1,530</u>
Cash basis net position end of year	<u>\$ 1,427</u>

The City's total receipts for governmental activities was \$1,314,690.

The cost of all governmental activities this year was \$1,418,074. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was \$1,032,949 because some of the cost was paid by those directly benefited from the programs (\$133,373) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest totaling (\$251,752). The City paid the remaining "public benefit" portion of governmental activities with approximately \$929,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)	
	Year Ended June 30, 2014
Receipts:	
Program receipts:	
Charges for service	
Water	\$ 203
Sewer	107
Gas	807
General receipts:	
Unrestricted interest on investments	1
Miscellaneous	51
Total receipts	<u>1,169</u>
Disbursements:	
Water	123
Sewer	63
Gas	710
Total disbursements	<u>896</u>
Change in cash basis net position	273
Cash basis net position beginning of year	<u>1,041</u>
Cash basis net position end of year	<u>\$ 1,314</u>

Total business type activities receipts for the fiscal year were \$1,169,000. The cash balance increased by approximately \$273,000 from the prior year. Total disbursements were approximately \$896,000.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Woodbine completed the year, its governmental funds reported a combined fund balance of \$1,427,303, a decrease of \$103,384 from last year's balance of \$1,530,687. The following are the major reasons for the changes in cash basis fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by \$161,353 from the prior year to (\$28,405). The decrease was primarily due to decreases of approximately \$75,000 in grant and donation receipts and a decrease of \$35,000 in transfers.
- The Road Use Tax Fund cash balance decreased by \$39,682 to \$13,428 due to transfer of monies to the General Fund for a road project.
- The Urban Renewal Tax Increment Fund cash balance increased \$94,617 to \$221,040 due to the receipt of tax increment financing collections.
- The Debt Service Fund cash balance increased by \$4,505 from the prior year to \$21,197.
- The Capital Projects Fund increased \$3,281 from the prior year to \$1,100,972 due to the collection of interest on bond proceeds received the prior year and not yet spent for a street construction project.

#### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$87,497 to \$442,453 due to receipts exceeding disbursements.
- The Sewer Fund cash balance increased by \$53,478 to \$212,638 due to receipts exceeding disbursements.

- The Gas Fund cash balance increased \$132,216 to \$658,811 due to a marked increase in seasonal (winter) demand and receipts exceeding disbursements.

### **BUDGETARY HIGHLIGHTS**

Receipts were approximately \$547,000 more than budgeted due to additional monies received for tax increment financing collections and charges for services. Disbursements were approximately \$84,000 more than budgeted.

### **DEBT ADMINISTRATION**

At June 30, 2014, the City had \$1,538,000 in general obligation debt compared to \$1,685,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2014	2013
General obligation bonds and notes	\$ 1,530	\$ 1,670
Lease purchase	8	15
	<u>\$ 1,538</u>	<u>\$ 1,685</u>

The City's outstanding general obligation debt of \$1,538,000 is below its constitutional debt limit of \$3,400,000.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Woodbine City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees charged for various City activities. These include the following:

- Ongoing infrastructure
- Water meter replacement program
- Street improvements – mill and overlay
- Façade master plan project/downtown streetscape improvements

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lois Surber, City Clerk, 517 Walker, Woodbine, Iowa.

**City of Woodbine**  
**Basic Financial Statements**

Exhibit A

City of Woodbine  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2014

					Net (Disbursement) Receipts and Changes in Cash Basis Net Position		

See notes to financial statements

City of Woodbine  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2014

		Special Revenue					
			Urban			Other	
		Road Use	Renewal	Debt	Capital	Nonmajor	
	General	Tax	Tax	Service	Projects	Governmental	Total
			Increment			Funds	
Receipts							
Property tax	\$ 387,383	-	-	169,888	-	94,984	652,255
Tax increment financing collections	-	-	180,654	-	-	-	180,654
Other city tax	5,951	-	-	-	-	87,647	93,598
Licenses and permits	5,397	-	-	-	-	-	5,397
Use of money and property	1,322	-	-	-	3,281	120	4,723
Intergovernmental	15,958	145,687	-	-	-	26,706	188,351
Charges for service	60,589	-	-	-	-	63,787	124,376
Miscellaneous	65,336	-	-	-	-	-	65,336
Total receipts	541,936	145,687	180,654	169,888	3,281	273,244	1,314,690
Disbursements							
Operating:							
Public safety	271,635	-	-	-	-	71,668	343,303
Public works	414,903	-	-	-	-	-	414,903
Culture and recreation	175,463	-	-	-	-	-	175,463
Community and economic development	25,511	-	86,037	-	-	-	111,548
General government	207,474	-	-	-	-	-	207,474
Debt service	-	-	-	165,383	-	-	165,383
Total disbursements	1,094,986	-	86,037	165,383	-	71,668	1,418,074
Excess (deficiency) of receipts over (under) disbursements	(553,050)	145,687	94,617	4,505	3,281	201,576	(103,384)
Other financing sources (uses):							
Operating transfers in	391,697	-	-	-	-	-	391,697
Operating transfers out	-	(185,369)	-	-	-	(206,328)	(391,697)
Total other financing sources (uses)	391,697	(185,369)	-	-	-	(206,328)	-
Change in cash balances	(161,353)	(39,682)	94,617	4,505	3,281	(4,752)	(103,384)
Cash balances beginning of year	132,948	53,110	126,423	16,692	1,097,691	103,823	1,530,687
Cash balances end of year	\$ (28,405)	13,428	221,040	21,197	1,100,972	99,071	1,427,303
<b>Cash Basis Fund Balances</b>							
Restricted for:							
Streets	-	13,428	-	-	-	-	13,428
Urban renewal purposes	-	-	221,040	-	-	-	221,040
Debt service	-	-	-	21,197	-	-	21,197
Capital projects	-	-	-	-	1,100,972	-	1,100,972
Other purposes	-	-	-	-	-	99,071	99,071
Unassigned	(28,405)	-	-	-	-	-	(28,405)
Total cash basis fund balances	\$ (28,405)	13,428	221,040	21,197	1,100,972	99,071	1,427,303

See notes to financial statements

City of Woodbine  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2014

	Enterprise Funds			
	Water	Sewer	Gas	Total
Operating receipts:				
Charges for service	\$ 202,953	106,794	806,504	1,116,251
Operating disbursements:				
Business type activities	122,676	63,110	709,637	895,423
Excess (deficiency) of operating receipts over (under) operating disbursements	80,277	43,684	96,867	220,828
Non-operating receipts (disbursements):				
Interest on investments	10	10	1,745	1,765
Miscellaneous	7,210	9,784	33,604	50,598
Total non-operating receipts	7,220	9,794	35,349	52,363
Change in cash balances	87,497	53,478	132,216	273,191
Cash balances beginning of year	354,956	159,160	526,595	1,040,711
Cash balances end of year	\$ 442,453	212,638	658,811	1,313,902
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 442,453	212,638	658,811	1,313,902

See notes to financial statements

**City of Woodbine**

City of Woodbine  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies**

The City of Woodbine is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and gas utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Woodbine has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Except as noted, these financial statements present the City of Woodbine (the primary government) and its component units. The financial statements do not include financial data for the Woodbine Municipal Light and Power, a legally separate entity which should be reported as a discretely presented component unit. The component unit discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

**Blended Component Unit**

Pursuant to Chapter 501B of the Code of Iowa, Woodbine Fire and Rescue (Association) is an unincorporated nonprofit association. The Association exists to protect human life and property through fighting fires and providing community education in fire prevention and first aid/safety practices. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. Based on these criteria, the Association is legally separate from the City, but is so intertwined with the City it is in substance the same as the City. The Association is reported as part of the City and blended as a Special Revenue Fund of the City.

City of Woodbine  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies – Continued**

Excluded Component Unit

The Woodbine Municipal Light and Power was established under Chapter 388 of the Code of Iowa to operate the City's electricity utility. The Municipal Utility is governed by a three member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utility meets the definition of a component unit which should be discretely presented. Financial statements for the Municipal Utility were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from Woodbine Municipal Light and Power, Woodbine, Iowa.

Jointly Governed Organizations

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City representatives are members of the following commissions: Harrison County Landfill Commission, Harrison County Emergency Management Commission, and the Public Energy Facilities Authority.

**B. Basis of Presentation**

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

City of Woodbine  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies, and other receipts not allocated by law or contractual agreement to some other fund, are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long term debt.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

City of Woodbine  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The Enterprise, Gas Fund accounts for the operation and maintenance of the City's gas system.

**C. Measurement Focus and Basis of Accounting**

The City of Woodbine maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Woodbine  
Notes to Financial Statements  
June 30, 2014

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in public safety, public works, general government and business type activities functions.

**F. Property Tax Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2012, to compute the amounts which became liens on property on July 1, 2013. These taxes were due and payable in two installments on September 30, 2013 and March 31, 2014, at the Harrison County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$2,741,205.

City of Woodbine  
Notes to Financial Statements  
June 30, 2014

**NOTE (2) Cash and Pooled Investments - Continued**

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**NOTE (3) Notes Receivable**

The City of Woodbine approved consumer financing for gas efficient furnaces, water heaters, gas log fireplaces, and gas dryers for 90% of cost, up to \$2,000. Consumers repay the loans over a 5 year period at zero interest rates through a monthly charge included on their utility billings. Financing transactions during the current fiscal year are as follows:

Beginning balance	\$ 45,483
Amounts financed	23,100
Payments received	<u>(26,136)</u>
Ending balance	<u>\$ 42,447</u>

**NOTE (4) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation debt is as follows:

Year Ending June 30,	General Obligation Notes		Lease Purchase	
	Principal	Interest	Principal	Interest
2015	\$ 145,000	23,873	\$ 8,115	527
2016	145,000	22,930	-	-
2017	150,000	21,480	-	-
2018	150,000	19,980	-	-
2019	150,000	18,105	-	-
2020-2024	<u>790,000</u>	<u>50,844</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,530,000</u>	<u>157,212</u>	<u>\$ 8,115</u>	<u>527</u>

Interest costs paid during the year ended June 30, 2014 totaled \$25,793.

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$3,400,000 which was not exceeded during the year ended June 30, 2014.

City of Woodbine  
Notes to Financial Statements  
June 30, 2014

**NOTE (5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2014 was \$40,123, equal to the required contribution for the year.

**NOTE (6) Other Postemployment Benefits (OPEB)**

Plan description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There were 6 active members and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark, for nonunion employees, and the Teamsters Union for union employees. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees for union employees.

Funding policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City union members are \$495 for single coverage and \$1,485 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, there were no plan members eligible for benefits.

**NOTE (7) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation benefits payable to employees at June 30, 2014, primarily relating to the General Fund, is \$12,960. This liability is computed based on rates of pay as of June 30, 2014.

City of Woodbine  
Notes to Financial Statements  
June 30, 2014

**NOTE (8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General:	Special Revenue:	
	Road Use Tax	\$ 185,369
	Employee Benefits	109,720
	Local Option Sales Tax	<u>96,608</u>
		\$ <u>391,697</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

**NOTE (9) Risk Management**

The City of Woodbine is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liabilities for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (10) Urban Renewal Tax Increment Financing Development Agreements**

Brookview Development Agreement

In March 2000, the City entered into an agreement with Brookview Development. The developer agreed to provide improvements to certain property within the City's Urban Renewal Area for the purpose of constructing housing units. In exchange, the City agreed to make urban renewal increment tax payments to the Developer semi-annually of eligible costs of approximately \$184,044. If tax increment financing collections are available, these payments will be made December 1 and June 1 of each fiscal year, beginning December 1, 2002 and continue for nine fiscal years or until the total has been paid. The City shall retain 37.29% of the urban renewal tax increment revenue for the purpose of providing assistance to low and moderate income (LMI) families, and pay the remaining 62.71% to the developer. The City paid the developer \$14,474 during the year.

Woodbine Industrial Park Urban Renewal Plan

In January 2012, the City amended the urban renewal plan that was established for economic development of the Industrial Park by deleting the expiration date. The urban renewal plan shall remain in effect until repealed by the City Council.

City of Woodbine  
Notes to Financial Statements  
June 30, 2014

**NOTE (10) Urban Renewal Tax Increment Financing Development Agreements - Continued**

Woodbine Bus Brown Drive Urban Renewal Area

In July 2012, the City entered into a development agreement with Woodbine Manufacturing. The City agreed to pay tax increment payments not exceeding \$800,000.

Woodbine Community Betterment Corporation Development Agreement

In January 2012, the City entered into a development agreement with the Woodbine Community Betterment Corporation. The developer agreed to undertake the redevelopment and renovation of a historical building at 518 Lincoln Way, and the City agreed to provide tax increment payments not exceeding \$100,000.

Artisan LLC Development Agreements

In January 2012, the City entered into two separate agreements with Artisan LLC. The developer agreed to undertake the redevelopment of historical buildings at 63 5th Street and at 509 Walker Street. The City agreed to provide tax increment payments not exceeding \$14,000, and \$18,000, respectively.

**NOTE (11) Deficit Balance**

The General Fund had a deficit balance of \$28,405 at June 30, 2014. The deficit will be eliminated upon transfer of monies from other funds for reimbursements.

**NOTE (12) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## Other Information

City of Woodbine  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts Original	Budget To Total Variance
<b>Receipts</b>						
Property tax	\$ 652,255	-	-	652,255	652,426	(171)
Tax increment financing collections	180,654	-	-	180,654	65,000	115,654
Other city tax	93,598	-	-	93,598	90,000	3,598
Licenses and permits	5,397	-	-	5,397	3,500	1,897
Use of money and property	4,723	1,765	120	6,368	3,000	3,368
Intergovernmental	188,351	-	26,706	161,645	135,000	26,645
Charges for service	124,376	1,116,251	63,787	1,176,840	847,000	329,840
Miscellaneous	65,336	50,598	-	115,934	50,000	65,934
Total receipts	1,314,690	1,168,614	90,613	2,392,691	1,845,926	546,765
<b>Disbursements</b>						
Public safety	343,303	-	71,668	271,635	268,000	(3,635)
Public works	414,903	-	-	414,903	367,000	(47,903)
Health and social services	-	-	-	-	3,300	3,300
Culture and recreation	175,463	-	-	175,463	184,500	9,037
Community and economic development	111,548	-	-	111,548	125,000	13,452
General government	207,474	-	-	207,474	200,700	(6,774)
Debt service	165,383	-	-	165,383	170,000	4,617
Capital projects	-	-	-	-	15,000	15,000
Business type activities	-	895,423	-	895,423	824,000	(71,423)
Total disbursements	1,418,074	895,423	71,668	2,241,829	2,157,500	(84,329)
Excess (deficiency) of receipts over (under) disbursements	(103,384)	273,191	18,945	150,862	(311,574)	462,436
Balances beginning of year	1,530,687	1,040,711	72,191	2,499,207	3,099,775	(600,568)
Balances end of year	\$ 1,427,303	1,313,902	91,136	2,650,069	2,788,201	(138,132)

See accompanying independent auditor's report

City of Woodbine  
Notes to Other Information – Budgetary Reporting  
June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety, public works, general government and business type activities functions.

## **Supplementary Information**

City of Woodbine  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the year ended June 30, 2014

	Special Revenue			
	Employee	Local	Woodbine	
	Benefits	Option	Fire and	
		Sales	Rescue	Total
		Tax		
Receipts				
Property tax	\$ 94,984	-	-	94,984
Other city tax	-	87,647	-	87,647
Use of money and property	-	-	120	120
Intergovernmental	-	-	26,706	26,706
Charges for services	-	-	63,787	63,787
Total receipts	94,984	87,647	90,613	273,244
Disbursements:				
Operating:				
Public safety	-	-	71,668	71,668
Total disbursements	-	-	71,668	71,668
Excess of receipts over disbursements	94,984	87,647	18,945	201,576
Other financing uses:				
Operating transfers out	(109,720)	(96,608)	-	(206,328)
Change in cash balances	(14,736)	(8,961)	18,945	(4,752)
Cash balances beginning of year	15,470	16,162	72,191	103,823
Cash balances end of year	\$ 734	7,201	91,136	99,071
<b>Cash Basis Fund Balances</b>				
Restricted for other purposes	\$ 734	7,201	91,136	99,071

See accompanying independent auditor's report

City of Woodbine  
Schedule of Indebtedness  
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General obligation bonds and notes:									
Corporate purpose and refunding	Jun 8, 2012	.65-2.25%	1,790,000 \$	1,670,000	-	140,000	1,530,000	24,783	-
Lease purchase	Oct 31, 2012	6.50%	23,780 \$	15,536	-	7,421	8,115	1,010	-

See accompanying independent auditor's report

City of Woodbine  
Bond and Note Maturities  
June 30, 2014

Year Ending June 30,	General Obligation Bonds	
	Corporate Purpose and Refunding	
	Issued Jun 8, 2012	
	Interest Rates	Amount
2015	0.65% \$	145,000
2016	1.00%	145,000
2017	1.00%	150,000
2018	1.25%	150,000
2019	1.45%	150,000
2020	1.65%	150,000
2021	1.95%	155,000
2022	1.95%	160,000
2023	2.25%	160,000
2024	2.25%	165,000
		<u>\$ 1,530,000</u>

See accompanying independent auditor's report.

**City of Woodbine**



Diane McGrain, CPA  
Jim Menard, CPA

November 6, 2014

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit Performed  
in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 6, 2014. Our report expressed qualified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. As we were unable to satisfy ourselves as to the distribution by fund of the cash basis fund balances at July 1, 2013. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Woodbine Municipal Light and Power.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Woodbine's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Woodbine's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Woodbine's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

Continued...

City of Woodbine  
Independent Auditor's Report on  
Internal Control and Compliance

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Woodbine's financial statements will not be prevented or detected and corrected on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Woodbine's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-14 through I-C-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as item I-D-14 and I-E-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodbine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Woodbine's Responses to the Findings

City of Woodbine's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Woodbine's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Woodbine during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2014

**Part I: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

**I-A-14     Segregation of Duties**

Comment – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one of the City's employees has control over cash receipts listing, depositing, posting and reconciling.

One person has control over depositing; check writing, posting, and reconciling for the Library.

One person has control over depositing; check writing, posting, and reconciling for Woodbine Fire and Rescue.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City, the Library and Woodbine Fire and Rescue should review operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternative procedures.

Conclusion – Response acknowledged.

**I-B-14     Financial Reporting**

Comment – During the audit, we identified general obligation debt service tax misposted to the General Fund rather than the Debt Service Fund. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure these payments are properly recorded in the City's financial statements.

Response – We will review our account numbers for proper posting.

Conclusion – Response accepted.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2014

**Part I: Findings Related to the Financial Statements (Continued):**

**INTERNAL CONTROL DEFICIENCIES - (Continued)**

**I-C-14    Separate Board**

Comment – The library board maintains the accounting records pertaining to the operations of the library. These transactions and the resulting balances are not recorded in the Clerk's records as required by Code of Iowa Chapter 384.20.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that, "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purposes." An accounting system for each board which will provide the necessary and required financial information should be implemented to comply with this code requirement. For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be reviewed at the transaction level and recorded in the Clerk's records.

Response – The library board does submit quarterly financial reports to the city. This triggers the City to make the quarterly payment to the library. We will consider recording the transactions in the Clerk's records.

Conclusion – Response accepted.

**I-D-14    Credit Cards**

Comment – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We are in the process of adopting a new purchasing policy and procedure manual which will include specifics on the use of City credit cards.

Conclusion – Response accepted.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2014

**Part I: Findings Related to the Financial Statements (Continued):**

**INTERNAL CONTROL DEFICIENCIES – (Continued)**

I-E-14    Management Financial Information

Comment – The Clerk's financial reports to the City Council did not include comparisons to the certified budget by department or by function.

Recommendation – To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget.

Response – We will add the line item budget detail to the software so these reports can be generated.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2014

**Part II: Other Findings Related to Statutory Reporting:**

II-A-14 Certified Budget

Comment – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the general government, public safety, public works and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-14 Entertainment Expense – We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-14 Business Transactions

We noted no business transactions between the City and City officials or employees.

II-E-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-14 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-14 Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-H-14 Revenue Bonds and Notes

The City does not have revenue debt.

City of Woodbine  
Schedule of Findings  
Year Ended June 30, 2014

**Part II: Other Findings Related to Statutory Reporting (continued):**

II-I-14     Disbursements

Comment – The Library received the front image only of electronically retained checks.

Recommendation – The Library should request both the front and back images of checks in accordance with Chapter 554D.114(5) of the Code of Iowa.

Response – We will contact the bank to request this.

Conclusion – Response accepted.

II-J-14     Excess Balance

Comment – The balances in the Enterprise Funds – Water and Sewer at June 30, 2014 were in excess of each fund's disbursements during the year.

Recommendation – The City should consider the necessity of maintaining the substantial balances, and where financially feasible, consider reducing the balances in an orderly manner through revenue reductions.

Response – The excess balances are considered necessary for the payment of future project costs and potential system issues.

Conclusion – Response accepted.

II-K-14     Financial Condition

Comment – The General Fund had a deficit balance of \$28,405 at June 30, 2014.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – We will control spending and make necessary transfers to the General Fund for costs that should be reimbursed by other funds.

Conclusion – Response accepted.

II-L-14     Annual Urban Renewal Report

The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.